

MAJOR PROJECTS COST RECOVERY RIDER

I. Definitions

- (a) “Major Projects Rider Adjustment” or “MPR Adjustment” means a per-Therm amount calculated under this rider as an increment and applied to the applicable Rate Schedules to recover the MPR Plant Investment biannually for the six-month periods ending February 28th and August 31st.
- (b) “Major Projects Rider Deferred Account” or “MPR Deferred Account” means a deferred account established under this rider subject to the MPR Deferred Account Adjustment for such account.
- (c) “Major Projects Rider Deferred Account Adjustment” or “MPR Deferred Account Adjustment” means a monthly adjustment to the MPR Deferred Account as calculated under this rider.
- (d) “Major Projects Rider Deferred Account True-Up Adjustment” or “MPR Deferred Account True-Up Adjustment” means an annual adjustment to recover the balance in the MPR Deferred Account as of February 28th as calculated under this rider.
- (e) “Major Projects Rider Month Factor” or “MPR Month Factor” means the percentage of annualized and normalized Therms by month for the applicable Rate Schedules as set forth in the Company’s Rider E Integrity Management Tracker.
- (f) “Major Projects Rider Plant Investment” or “MPR Plant Investment” means the gross plant and associated costs incurred by Company associated with the Moriah LNG facility and the non-Integrity Management Tracker rate base portion of the T-15 pipeline excluding the costs attributable to the Natural Gas Pipeline Construction and Transportation Service Agreement(s) and all applicable amendment(s) between Company and Duke Energy Progress approved in Commission Docket No. G-5, Sub 668, including reasonable and prudent trailing costs, as they are completed and placed into service and not otherwise included in current base rates.
- (g) “Major Projects Rider Revenue Requirement” or “MPR Revenue Requirement” means the total annual revenue requirement for the MPR Plant Investment as calculated under this rider.
- (h) “Vintage Year” means the fiscal year during which the MPR Plant Investment is made.

II. In-Service Dates

- (a) To be in service the Moriah LNG facility must have the capability of receiving, liquefying, storing, vaporizing, and delivering gas into Company’s system. Company must demonstrate the facility’s readiness to be placed into service by performing an uninterrupted three-hour run each for liquefaction and vaporization and provide the Public Staff with a report of these runs. The Company will have ongoing discussions with the Public Staff prior to preparation of this report.

- (b) To be in service the T-15 pipeline must have gas flowing through the system, pressures maintained, and the ability to perform its intended function.

III. Review of Project Costs

- (a) The reasonableness and prudence of project costs may be reviewed in the Company's next general rate case. At the time of Company's next general rate case proceeding, all prudently incurred MPR Plant Investment associated with this rider shall be included in base rates.
- (b) Any amounts recovered from Customers found by the Public Staff to be imprudent or improperly accounted for will be placed in a regulatory liability, earning interest at the rate set forth in Section VII below, beginning in the same month the MPR Revenue Requirement associated with the plant was charged to the MPR Deferred Account pursuant to Section IV(c) below. If the Commission approves a disallowance in the Company's next general rate case, the amount of such disallowance will be included in the calculation of the plant in service used to determine rate base. The Company will establish a regulatory liability associated with rider recovery of disallowed plant, with interest, to be refunded to Customers over a period to be determined by the Commission in the general rate case in which the disallowance is approved.

IV. Computation of Major Projects Rider Revenue Requirement

- (a) Company shall file by March 31st and September 30th of each year information showing the computation of the MPR Revenue Requirement that forms the basis of the biannual MPR Adjustment for the six-month period ending the prior February 28th and August 31st, respectively. The Company also shall file information showing the computation of the MPR Revenue Requirement that forms the basis for further MPR Adjustments pursuant to Section III(e) below.
- (b) The total revenue requirement will be calculated for each Vintage Year of MPR Plant Investment in the same manner as the Integrity Management Plant Investment is calculated in the Company's Rider E Integrity Management Tracker.
- (c) Each month Company will charge its MPR Deferred Account for the portion of the MPR Revenue Requirement that corresponds to that month. The monthly MPR Revenue Requirement is the product of the annual MPR Revenue Requirement and the MPR Month Factor. The MPR Month Factor for each month is the same as the Integrity Management Month Factor as set forth in the Company's Rider E Integrity Management Tracker.

V. Computation of Major Projects Rider Adjustment

- (a) Company will file for Commission approval by April 15th and October 15th of each year information showing the computation of the MPR Adjustment for each Rate Schedule that it proposes to charge during the six-month period beginning the following May 1st and November 1st, respectively.

- (b) To compute the MPR Adjustment, the MPR Revenue Requirement shall first be apportioned to each customer class based on margin apportionment percentages established for the Integrity Management Adjustment as set forth in the Company's Rider E Integrity Management Tracker.
- (c) The amount of the MPR Revenue Requirement apportioned to each Rate Schedule will then be divided by the annual Therms for each Rate Schedule to determine the MPR Adjustment to the nearest one-thousandth cent per Therm. The annual Therms of throughput used in the computation of the MPR Adjustment for each Rate Schedule is as set forth in the Company's Rider E Integrity Management Tracker for determining the Integrity Management Adjustment.
- (d) Each month Company will credit the MPR Deferred Account for the amount of the MPR Adjustment collected from Customers. The amount of the MPR Adjustment collected from Customers will be computed by multiplying the MPR Adjustment for each Rate Schedule by the corresponding actual Therms of usage billed Customers for the month.
- (e) Company may, at its discretion, file for further MPR Adjustments throughout the year, upon 14 days' notice to the Commission.

VI. Computation of Major Projects Rider Deferred Account True-Up Adjustment

- (a) Company will file with the Commission by April 15th to recover through a MPR Deferred Account True-Up Adjustment the balance in the MPR Deferred Account as of the prior February 28th.
- (b) The MPR Deferred Account True-Up Adjustment will be computed by multiplying the balance of MPR Deferred Account, as of February 28th, by the customer class apportionment percentages determined in Section III(b) above. The MPR Deferred Account balance apportioned to each customer class shall then be divided by the annual Therms of throughput for each of the applicable Rate Schedules determined in Section III(c) above to determine the MPR Deferred Account True-Up Adjustment applicable to each Rate Schedule for the following twelve-month period beginning March 1st. The MPR Deferred Account True-Up Adjustment will be computed to the nearest one-thousandth cent per Therm.
- (c) Company may, at its discretion, file for further MPR Deferred Account True-Up Adjustments throughout the year, upon 14 days' notice to the Commission.

VII. Interest

Interest will be applied to the MPR Deferred Account at the rate set forth in the Company's Rider E Integrity Management Tracker.

VIII. Major Projects Rider Deferred Account

Company shall maintain a MPR Deferred Account for the purpose of recording the monthly (a) MPR Revenue Requirement, (b) MPR Adjustment, (c) MPR Deferred Account True-Up Adjustment, and (d) interest on the MPR Deferred Account.

IX. Monthly Filing with Commission

Company shall file monthly (a) a report providing in detail the current month's MPR Plant Investment, including supporting documentation for the amount incurred by project, (b) the cumulative MPR Plant Investment subject to this rider, and (c) a report of the activity recorded for the month in the MPR Deferred Account. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

X. Term

This rider will terminate at the effective date of new rates ordered by the Commission in the Company's next general rate case. Costs associated with MPR Plant Investment incurred after the test period, as updated, in the Company's next general rate case will be subject to recovery in the following general rate case.